

Message Text

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PAGE 01 PARIS 17167 101853Z
ACTION EUR-12

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01
CIAE-00 COME-00 EPG-02 DODE-00 EB-07 FPC-01 H-01
INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04
USIA-06 OES-07 SP-02 SS-15 STR-04 TRSE-00 ACDA-07
PA-01 PRS-01 FRB-03 XMB-02 OPIC-03 LAB-04 SIL-01
/117 W

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R 101724Z JUN 77
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 3976
INFO AMEMBASSY MOSCOW
AMEMBASSY WARSAW
AMEMBASSY PRAGUE
AMEMBASSY BUDAPEST
AMEMBASSY BUCHAREST
AMEMBASSY SOFIA
AMEMBASSY BELGRADE
AMEMBASSY VIENNA
USMISSION NATO
ALL EC CAPITALS

C O N F I D E N T I A L PARIS 17167

USEEC ALSO FOR EMBASSY BRUSSELS

EO 11652: GDS
TAGS: PFOR FR UR ESTC EEWTR ENRG
SUBJECT: ECONOMIC AGREEMENTS IN CONJUNCTION WITH
SECRETARY BREZHNEV'S VISIT TO FRANCE

REFS: PARIS 11632 AND 16495; ROME 8830

1. TWO LONG-STANDING FRENCH/SOVIET AGREEMENTS WILL
BE UPDATED DURING SECRETARY BREZHNEV'S VISIT TO PARIS
ON 20-22 JUNE 1977. ONE WILL AUGMENT THE LIST OF
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INDUSTRIAL PROJECTS TO BE INCLUDED UNDER THE JULY 10,
1971 FRENCH-SOVIET ECONOMIC AND INDUSTRIAL ACCORD.
THE "ACCORD" WAS EARLIER MODIFIED WITH SUPPLEMENTAL
"PROGRAM" LISTS IN 1973 AND 1974. THE NEW "PROGRAM"
WILL BE THE THIRD MODIFICATION. QUAI ECONOMIC OFFICER
RESPONSIBLE FOR SOVIET AFFAIRS ADMITTED FRANKLY THAT
THE FRENCH HAD DIFFICULTY COMING UP WITH NEW CATEGORIES

OF PROJECTS WHICH HAD NOT ALREADY BEEN NAMED IN EARLIER "PROGRAM" ADDITIONS TO THE 1971 ACCORD. THE NEW "PROGRAM", WILL LIST COMMERCIAL PROJECTS IN GENERAL TERMS BUT IS NOT NECESSARILY A GUARANTEE THAT ALL THOSE ITEMS LISTED WILL ACTUALLY BE TRADED. QUAI SOURCE DESCRIBED THE MAJORITY OF NEW PROJECTS AGREED TO AS BEING IN THE CHEMICAL AND METAL INDUSTRIES, INCLUDING MACHINE TOOLS, PORT FACILITIES FOR HANDLING PETROLEUM, METAL TUBING, AND PHOSPHORIC ACID PLANTS. SOME OF THE PROJECTS WILL BE COMPENSATION AGREEMENTS INVOLVING PURCHASES FROM THE SOVIET UNION.

2. THE SECOND LONG-TERM AGREEMENT WHICH IS TO BE UPDATED IS THE CREDIT ACCORD REACHED AT THE 1974 RAMBOUILLET MEETING WHICH ESTABLISHED A FIVE-YEAR 12.5 BILLION FRANC LINE OF CREDIT TO THE SOVIET UNION. ACCORDING TO SOURCE ALL BUT 3.5 BILLION FRENCH FRANCS OF THIS CREDIT HAVE BEEN EARMARKED FOR SPECIFIC PROJECTS. SOURCE POINTED OUT THAT THE DETAILS OF NEW CREDIT AGREEMENTS HAVE TO BE WORKED OUT THROUGH NEGOTIATIONS OF INTEREST RATES, LOAN PERIODS, AND OVERALL AMOUNTS. THESE NEGOTIATIONS ARE PLANNED FOR 15 AND 16 JUNE WHEN DEPUTY FOREIGN TRADE MINISTER IVANOV ARRIVES IN PARIS, (5 DAYS IN ADVANCE OF BREZHNEV'S ARRIVAL). QUAI OFFICER SAID THAT GOF WILL ATTEMPT TO ALIGN ITSELF AS MUCH AS POSSIBLE "PERHAPS NOT EXACTLY" WITH THE CREDIT RATES ESTABLISHED UNDER THE "CONSENSUS" AGREEMENTS (7.75 PERCENT). SOURCE COMMENTED THAT THIS WOULD MEAN FRANCE WOULD HAVE TO INCREASE ITS

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INTEREST RATES FROM 7.20 AND 7.55 PC TO 7.75 PC.

3. THE FRENCH ARE NEGOTIATING WITH THE SOVIETS FOR ADDITIONAL PETROLEUM PURCHASES, WHICH THEY AGREED TO DO IN EFFORT TO REDRESS SOVIET TRADE DEFICIT, BUT CONTRACTS ARE BEING HELD UP DUE TO THE HIGH PRICES DEMANDED BY THE SOVIETS. QUAI ECONOMIC OFFICER SAID THAT BRITISH PETROLEUM (FRANCE) HAD RECENTLY SIGNED A PURCHASE CONTRACT FOR 2 MILLION TONS OF SOVIET PETROLEUM AT \$13 A BARREL. HE COMMENTED THAT, IN CERTAIN INSTANCES, FRENCH IN FACT LIKE TO TAKE ADVANTAGE OF SAVINGS AVAILABLE THROUGH IMPORTATION OF MORE HEAVY SOVIET CRUDE WHICH COULD REPLACE PORTION OF ALREADY-REFINED--AND THUS MORE EXPENSIVE--INDUSTRIAL OIL CURRENTLY BEING PURCHASED FROM MIDDLE EAST REFINERIES. ACCORDING TO SOURCE, THE FRENCH ARE CURRENTLY RUNNING (FIRST QUARTER FIGURES) A 900 MILLION FRENCH FRANC SURPLUS IN TRADE WITH THE SOVIET UNION. THIS FIGURE DOES NOT INCLUDE PAYMENTS FOR SOVIETS FOR

NATURAL GAS NOR FOR SWAP PURCHASES OF IRAQI PETROLEUM
WHICH, IF INCLUDED IN THE FIGURES, WOULD REDRESS THIS
IMBALANCE SOMEWHAT.

4. AT THE END OF MEETING AT QUAI, ECONOMIC OFFICER
REMARKED OFF-HANDEDLY THAT TWO ADDITIONAL COOPERATION
AGREEMENTS MIGHT BE DRAWN UP FOR SIGNATURE DURING
BREZHNEV'S VISIT BUT THEY WOULD NOT BE OF GENUINE
SIGNIFICANCE, SERVING PRIMARILY FOR COSMETIC PURPOSES.
GAMMON

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Message Attributes

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